Rating Rationale

Alankar Alloys Private Limited

31 Jan 2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 33.31 Crores of Alankar Alloys Private Limited.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2017)	Present
Fund based	44.24	33.31	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable
Total	44.24	33.31	INR Thirty Three Crores & Thirty One Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Audited financials upto FY18 and Projected Financials of Alankar Alloys Private Limited for FY19 and FY20, publicly available information and information / clarification provided by the Company’s management.

The rating draws strength from the experienced promoters of the Company, long lasting relations with the Customer and vertically integrated operations resulting in better operating efficiency, improvement in Profitability. However, the rating is constrained by the fact of the profitability susceptible to volatility in key raw material prices, working capital intensive nature of business,competition from established players of the industry in the vicinity & geographic and customer concentration.

Going forward, the ability of the Company to improve operational level, improve its capital structure, profitability margins, diversify its customer base, timely debt servicing and manage its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

- **Long track record of the company-** Alankar Alloys Private Limited, belonging to Agrawal family of Chhattisgarh, is promoted by Mr. Lalit Agrawal and Mr. Akash Agrawal. The promoters of the company have an experience of a decade as a manufacturer of steel products. Mr Lalit Agrawal was earlier into trading of steel products and has an overall experience of more than three decades in the steel industry.

- **Strategic location of manufacturing unit-** The company's unit is located at mineral rich state of Raipur, Chhattisgarh. The company avails operational advantages from its strategic location due to proximity to source of raw-materials (sponge iron). Sponge Iron are procured from local players. Further, its customers are also located in and around Raipur. Therefore, proximity to the raw materials and customers leads to substantial savings in the freight cost.

- **Active Participation by the Promoters:** The promoters of the company are actively involved in the day to day operations of the business.

- **Moderate financial performance-** The total operating income of the company increased in FY18 and stood at Rs. 237.98 crore as compared to Rs. 176.13 crore in FY17.The EBITDA level and margin of the company deteriorated in FY18 vis-à-vis FY17 on account of higher material cost. Further, the PAT level and margin of the company also deteriorated in FY18 on account of higher interest cost. Further, the company has a partially-integrated facility to produce billets, which, in turn, is consumed in-house to produce TMT bars. Besides supporting the operating profitability, the backward integration also ensures smooth raw material availability.

- **Fragmented industry leading to intense competition-**Alankar Alloys Private Limited is engaged in the manufacturing of TMT bars and billets, the industry of which is characterized by high fragmentation mainly due to presence of a large number of unorganized players. The company markets its products in Central India, which is a hub of steel plants, on account of proximity to the mineral rich states of Chhattisgarh.

- **Working Capital Intensive Nature:** The working capital intensive nature of business along with limited flexibility in pricing is due to the cyclical nature of industry.

- **Vulnerability of margins to fluctuation in prices of metal and steel-** Alankar Alloys Private Limited profitability is susceptible to volatility in raw material prices of mainly metal and steel products. The company operates in a highly fragmented and competitive industry which consists of a large number of organised and unorganised players

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Alankar Alloys Private Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Alankar Alloys Private Limited (AAPL) was incorporated in Jan 2006 with the main objective of manufacturing billets, TMT Bars and other Rerolled Products and Trading of Iron Ore Fines and other rerolled products.The company is one of the group company under the Pankaj Group.The Company is promoted by Mr. Lalit Kumar Agrawal and Mr. Akash Kumar Agrawal.
Presently the company operates Induction Furnaces with capacity of 72000 MTPA for manufacturing of Steel Billets and Automatic Rolling Mill for Manufacturing of TMT Bars with production capacity of 65000 MTPA.TMT bars being manufactured by the company are sold under the brand name of 'Sagar TMT".The Company has established wide network of distributors (about 40 distributors) which caters to large number of retailers (roughly 10-15 retailers under each distributor).

Company Financial Performance

Company generated total operating income of ₹ 237.98 Crs in FY 18 as compared to ₹ 176.13 Crs. in FY17. Profit after tax of company stood at ₹ 0.73 Crs. in FY18 as compared to ₹ 0.85 Crs in FY17.The tangible net worth of the company stood at Rs. 38.22 Crs. as on 31-3- 2018.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	**Fund Based**	Long Term	33.31	**BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable**	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable	**N.A**	**N.A**
	Total		**33.31**	**₹ Thirty Three Crores & Thirty One Lakhs Only**			

Status of non-cooperation with previous CRA -N.A

Any other information-N.A

Key Financial Indicators

Key Parameters	**Units**	**2018**	**2017**
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	237.98	176.13
EBITDA	₹ Cr	11.29	11.70
PAT	₹ Cr	0.73	0.85
Tangible Net worth	₹ Cr	38.22	33.72
Total Debt/Tangible Net worth	Times	1.03	1.08
Current Ratio	Times	1.24	1.16

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies
- Short Term Debt

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Ravindra Kumar *Director-Ratings* analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media
The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:
BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings
Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.
BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.